

Original Paper

Industrialization of Socialist-Oriented Economy Development in Nepal: Contribution, Possibility and Challenges of Private Sectors

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Abstract

The state produces goods and services to distribute to its citizens and its process somehow related to social welfare. The government that has created an industry-friendly environment for the establishment of industries to provide goods at a price that people can afford. Investors invested in the industry by making full use of resources and available materials to provide employment opportunities for industrialization in Nepalese economic development. Investors are not allowed to produce distribute voluntary goods. The role of facilitator in production and distribution by fulfilling of basic criteria was prescribes by the socialist state. Socialism believed in the advancement of the human race, the pursuit of equality among all human beings, the end of the system of exploitation of one human being by another, and the establishment of universal love between human beings. Although the government instructed by the constitution to develop a socialist-oriented economy, the government could not achieve complete success. The policy of the state has to encourage private sector investment, due to inability that makes programs. Nepal has not able to move towards industrialization. If immediate steps could taken to create an investment friendly environment in the industry to minimize the challenges of problems in the private sector, ample employment opportunities would created. The government of Nepal has given priority to Indian imports and the policy of imposing higher customs duty on imports of raw materials than manufactured.

Keywords

Industrialization, employee, socialist oriented economy, private sector, investment-friendly environment

1. Introduction

The transitional period between capitalism and communism considered as socialism. After exploited by capitalism, the proletariat ends that system with a violent revolution. If a new system is born from the womb of capitalism, it called socialism. In this system, the work divided into merit and price. Therefore, the proletariat erases capitalism through revolution and sets up a new socialist system. During the revolution, the bourgeoisie established the state power of its own bourgeoisie by shattering the capitalist state power.

No one can live without working in socialist thinking. Work arranged for each person. Work responsibilities divided according to the person's ability and capacity. Wages of workers are determined based on work. Even though everyone has worked, not everyone has the same financial status. Some are lazy and alert. Similarly, some workers are married and some are unmarried. Even if the same work done, there are more expenses and fewer savings for the married, but in the case of unmarried people, the savings are more as the expenses are less. Everyone works in whatever field of product. Since there is no boss and no worker, there is a good relationship between everyone. Pressure from anyone, you do not have to live in fear. Giving everyone a wage according to his or her work makes everyone's financial status equal. In this case, there is no need to be hesitant. Every person has the right to receive consumer goods according to the work he has done, with some deductions for the provision of means of production and social security. The deducted amount paid to the workers in the form of health, education and other benefits.

The goods are produce based on the needs of society. There is no possibility of rotting, melting and stocking without production. There is no need to compete with anyone and no possibility of a black market in manufactured goods. Since there is no possibility of profit and loss in the socialist state system, the work of production is gradually and there is no need to fear and panic as there is no need for artificial works. When the price is managed according to the work, the production work is done at a very fast pace. Every worker makes full use of his abilities and abilities and the tendency to lay, deceit, fraud, theft etc. ends. The money deducted for social security redistributed to the public and a portion of the product is set aside for social security. In the case of capitalist regimes, the amount deducted in the name of capital gains, land investment, depreciation of machinery and social security reimbursed. In the socialist state system, the task of getting the owner's share does not take place. Since the portion set aside for social security spent on social work, the workers still receive money in the form of education, health and other services.

The socialist movement of the world started from 1425 to the beginning of the 19th century. The movement against the capitalists of Britain and European countries can take as a movement. In the movement, the capitalist rulers, with the help of the military, established colonies and made the masses homeless without any guilt. Thousands of village farmers forced to flee their lands and start raising sheep in the orchards. Demand for this specialty has grown significantly a result of recent corporate scandals. To meet that demand, more and more sheep had to be raise. The new capitalists, who had become

property owners to raise sheep, forcibly chased away the farmers with the help of the government. In the end, those peasants emerged as wage laborers or proletarians.

In the socialist system of China, the people's commune was establishing in every part of China through various types of cooperative farming. As the people's commune is the primary unit of society, it has played an important role in the development of every sector. Within its borders, it carries out activities such as industrial and agricultural production, trade, culture and education, as well as political affairs. The people's commune is responsible for preparing the militia by providing military training. Established in China after 1958, the people's commune has built canals for irrigation, built dams to protect the commune from famine and drought, and used scientific instruments to increase production on farms. Free schools, a babysitter, a community restaurant, a Kindergarten is operated. There is no obligation to do all that. Separate meals are also completely free and houses of respect for the elderly are built to take care of the elderly. Inequalities do not fall without gender, ethnic and racial discrimination. The United States and India, which consider themselves civilized capitalist countries, have many kinds of racial, ethnic, religious and gender differences. Even parks in the United States have a white-only policy. In the same way, millions of people are to force to sleep on the cold side of the road in paper sheets and blankets instead of their homes. Ethnic in India, Victims of regional and class discrimination have not eliminated, but such problems are rare in socialist countries. Ethnically, China has good relations between all races, but India and the United States did not after the great revolution of 1917. Ethnic policy had introduced in the socialist country of Russia contributed to the solution of the ethnic problem.

Marxist socialism and democratic socialism are the most talked about. These systems of socialism are using in some countries and some have not been successful. There were socialist movements in Nepal and the constitution of Nepal 2015 was promulgating by the Constituent Assembly on the strength of those movements. In the preamble of the constitution, it has decided to build a prosperous nation by remaining committed to socialism based on democratic values and beliefs. It does not seem that the state has fully mobilized to fulfill that resolution. After the promulgation of the constitution, the government could not conduct policies and programs based on the values and beliefs of socialism in a just manner. The people did not realize that inequality, oppression, exploitation and discrimination had decreased. The Nepalese political forces are struggling in a timely manner in accordance with the main objective and goal of the socialist movement and have not been able to make the people realize it. Political parties became distracted or tried to flee from the subject of socialism. Due to their misguided ideology, it was not easy for the Nepali economy to reach the ultimate goal of socialism. Due to the inability of the industry to be established at a fast pace, the practice of levying higher customs duty on raw materials than on some manufactured goods entering Nepal from India has created more problems. If the government of Nepal does not address such policy issues immediately, the situation of Nepali industry will become more problematic in the future. It seen that the political parties have to move ahead from the traditional

thinking of socialism and engage in sustainable development, including social and economic transformation.

2. Statement of the Problems

The traditionalist view of Nepalese Marxist socialism was unlikely to find a place. In fact, democratic socialism is the product of Fabian society. The concept of democratic socialism was putting forward at that time to confront the Marxists. BP Koirala had introduced democratic socialism in Nepal as the movement of communists was increasing. The aim of democratic socialism was motivating by the intention to democratize the communists in Nepali society rather than to establish socialism. In time, communism became more than just democratization. He appeared in parliamentary politics as a much bigger player than the Congress. In the beginning, the communists were socialists, but in the end, it alleged that they were moving towards the ground where they enjoyed playing under capitalism.

German philosopher Karl Marx introduced the concept of communist socialism, while the theory of democratic socialism was introducing by British philosophers in the name of Fabian society, with the aim of democratizing Marxist socialism. The origin of communist socialism was inspired by the end of capitalist oppression, exploitation and inequality in 18th century society. The beginning of democratic and democratic socialism was also to stop the movement of communist socialism. The direction of failure was motivated by direction. The world community divided due to capitalist and communist power and power interests. It repeatedly sacrificed millions of people in the name of revolution and movement. Twice there were massacres, such as the 2nd World War and in 1917 on the strength of the Russian revolution. The Communists set fire to the graves of capitalist czars. Then the dream palace of socialism arose. That dream palace collapsed within a few decades and again the bourgeoisie rose from its grave and began to dust off the dust of socialism.

In China, Mao proclaimed socialism in 1949 on the strength of the great proletarian Cultural Revolution. Millions of people lost their lives in the name of that revolution, but now even China has developed a capitalist economy. Even today, Countries like China, Vietnam and North Korea are ruling by communists.

It considered to the product of the concept of advanced socialism put forward by Baburam Bhattarai in his campaign to enrich the socialist movement of Nepal. He studied the nature of Nepali society and the rules of development here in depth and considered it as an integrated form of diversity, multilingualism, multiculturalism, multi-ethnic national unity and harmony. Only by scientific research, research and analysis of social anomalies can a conclusion reached on what kind of socialism needed to Nepal. With his realistic conclusions, the root of the problems and contradictions inherent in Nepali society can traced. He said that we could destroy the existing exploitation, oppression and inequalities of Nepali society by following the broad roadmap of advanced socialism for social justice, equality and human liberation in problem solving.

Looking at the manifestos of almost all the political parties of Nepal, it seems that they have moved forward with the intention of economic development focusing on the public interest. Failure to implement these declarations or falling behind in building a socialist-oriented economy with a confused mindset are further challenges in industrialization and job creation. By overcoming these challenges, economic prosperity has become the basic element of the establishment of prosperous socialism. Every worker acquires rights over the value of the goods produced from the time he joins the labor based on the principle of equality. It is necessary to move forward through private partnership and cooperation by creating employment as well as product production, marketing and distribution cooperation in a participatory manner.

3. Purpose of Study

The workers who had been languishing in oppression for many years had agitated for the establishment of a socialist state system without exploitation by destroying the capitalist state system. Focusing on the state system in the hands of the limited bourgeoisie would have uplifted the few and the socialist state system could have established the rights of the majority proletariat. The remnants of capitalism cannot eradicate from the economic, moral and intellectual spheres. After the victory of socialism, it was difficult to achieve a socialist-oriented economy when imperialism and capitalism were not completely eradicated. The same socialist movement also inspired the events of political change in Nepal. Absolute Rana rule, the Panchayat system and reaching the republic through the democratic system, the question arose as to why Nepal could not move forward with economic development as expected. Apart from this, what were taking in building a socialist economy? Which political changes strengthened the role of the private sector in industrialization? How much has economic development changed people's lives and daily life? How much has foreign aid improved development? How is the production, distribution and use of consumables analyzed? What is the status of implementation of the policy adopted by the state to ensure access to everything? Why private sector development needed in partnership today is? This work is carrying out to find answers to such questions. The importance and role of the private sector in industrialization by reforming the economic system focusing on the possibility of building a socialist economy has the following objectives: How was the distribution and use of consumables analyzed? What is the status of implementation of the policy adopted by the state to ensure access to everything? Why private sector development needed in partnership today is? This work is carrying out to find answers to such questions. The importance and role of the private sector in industrialization by reforming the economic system focusing on the possibility of building a socialist economy has the following objectives:

- (a) To analyze the socialist-oriented economy.
- (b) To assess the impact of political change on economic development.
- (c) To analyze the possibilities and challenges of the private sector in industrialization.

4. Socialism Development

4.1 *The Early Evolution of Socialist Ideology*

Thomas Moore described the fictional island of Utopia in his book in 1516. There was no private property. There was an arrangement for everyone to get an education. Everyone had equal rights to religion. People used to share the food they worked together. They had great love and there was no fighting anywhere. Thomas Moore wrote these words in the novel, but his views were not tolerating by the then autocratic monarchy of England and he was executed by order of King Henry 8th of England. According to his book, the unit of production was family. Elected people's representatives run the state system. People worked 6 hours a day and spent the rest of their time doing science and research. The all-round development of the individual was highly valued on this island. The integration of education and labor was seen as a fictional socialist thinker. Tommaso Campanella (1568-1639) was a monk. Before becoming a monk, his name was Giovanni Domeni. He was a visitor to Italy. He led a revolt in 1599 to liberate Italy from Spanish colonial rule. The Spanish authorities arrested him and sentenced him to 27 years in prison. While he was in jail, he wrote a book called *Suryanagar*. The book was written in 1602 and published underground in 1623. Even though it was a novel, its meaning was similar to that of Thomas Moore's book.

4.2 *The Fight against Feudalism*

Charles I was executed on 30th January 1649, after the British organized efforts against feudalism began in 1640. After the enthronement of William of Orange as the constitutional monarch in 1688, feudalism took over the economic sphere, institutionalizing capitalist democracy politically. The economy was governed by trade policy. The laws were in the hands of the feudal lords. Only five large trading houses had the right to foreign trade. At the time, economist Adam Smith, in his book *Wealth of Nations*, discussed governmental stance on economic issues, free trade, Slogans of individualism and personal freedom were put forward. His ideas gave birth to the French revolution of 1789. The free market economy was considering the power of magic. The aggrieved masses thought that the capitalist revolution would end their misery, but in practice, nothing like that happened. The gap between rich and poor is widening. The liberation of small capitalists and small traders from feudal bondage meant the freedom to sell their property into the hands of big capitalists. The feudal lords oppressed the poor on the basis of power. The capitalists uplifted the poor on the basis of capital. The bourgeoisie tasted economic prosperity. Poverty, unemployment and illiteracy were on the rise for the poor. In the midst of such a situation, an imaginary socialism was developing.

In 1871, the workers of Paris raised their voices. It also called Paris Commune, but due to lack of experience, the arrangement did not last more than 72 days. In October 1917, the Bolshevik Communist Party led the October revolution against tsarism in Russia. That revolution overthrew the tsarist regime and established the rule of the proletariat. Stalin also continued the revolution led by Lenin. During that period, in 40 years, the socialists did what Russia could not do in 200 years.

4.3 Impact and Consequences of the Chinese Revolution

After the end of the Chinese Revolution in 1949, private sector business was gradually established and brought under the control of the government. By 1952, about 17% of industrial production units were out of government control. Under the nationwide land reform program, 45% of the cultivable land was taken away from the landlords and distributed to the farmers. In 1953 to 1957, the program of socialization carried forward to the government-owned modern area. Large cooperative units and a centralized economic plan implemented in agriculture. The policy of peaceful transfer of private industry put forward and nationalized at cheap rates. By 1956, 90% of the agricultural sector had made cooperative. In 1958, Mao launched a policy of killing the potential for high economic growth. In 1960, 98% of the country's rural agriculture brought under the control of the commune, but the hasty introduction of the program proved impractical and unsuccessful. As a result, the program led to a sharp decline in agricultural production and discontinued in 1961. China placed agriculture first, light industry second and large industry third.

When Tengxiao Ping came to power in 1977, he made sweeping changes to Maoist policy. Compared to western countries, China lags far behind in technology and education. In 1978, he sent a delegation to study 15 cities in five European countries, led by Gumu Ning, a member of the Standing Committee. Tengxiao Ping himself also visited many countries, including Europe, America, Japan and Singapore in Asia. Four special economic zones were used based on that study were Shenzhen, Zhuhai, Santao and Xiamen. China's current situation is due to Teng's policy. Seeing the incompetence of the old revolutionary leaders in the new environment, he put forward a formula of respecting beggars to dismiss such leaders, including himself, from the regular work of the party. The salary of a mature leader, he decided to give a security guard, accommodation, a vehicle for life and leave the post to become a consultant. A new party formed at the central and lower levels to determine educational qualifications, age and duration. If the country does not develop rapidly, the communist regime will be in danger and China will be beat by foreigners because it is poor. "We don't want to be poor again," he said. He emphasized the need to focus on science, technology and education to make China rich and to develop science and technology as the primary productive forces. As a result, China has emerged as the world's second-largest economy, with GDP of 10.36 trillion, per capita income and 7600 thousand in 2014.

4.4 American Independence and the Japanese Mizi King

Alexander Hamilton, the first post-independence finance minister, presented a report on industrial policy to the US Congress in 1791. He emphasized in the report that the United States must protect its infant industry. This policy followed by later American nations.

In 1868, the Mizi emperor came to power in Japan. His government set up 50 industries for industrialization. A mission led by Iwakara Tomomi was sent abroad to make Japan an industrialized and developed nation. The mission included high-ranking officials from industry, agriculture, mining, the financial sector, culture, education, the army and the police. From December 1871 to September

1873, the mission traveled to 15 different countries, studying the state of development and using it in the development of Japan. As a result, in a span of 30 years, Japan became the first industrial, militarily strong and rich nation in Asia. After the 2nd World War, Japan faced a major economic crisis and adopted a strict foreign exchange policy to curb imports. The policy of giving foreign currency to bring high technology home was following and a guided loan program with grants was starting to protect one's industry.

4.5 Changes in the Industrial Area after 2nd World War

After the 2nd World War, France adopted a policy of symbolic planning. He took over some of the major industries from the government after an announcement of nationalization. Investment flowed into industries through state-owned banks. Until 1960, he imposed high taxes on the import of industrial goods to boost his industry. By 1980, France had established itself as a leader in the field of technology.

South American countries dominated by left-wing governments have had success in development through education programs in the 1990s. Although the government received partial support from the private sector when implementing socialist programs in those countries, the government needed to have its own means of production, including quality services and facilities. It means being able to provide government-owned educational institutions, hospitals, public institutions, public services and goods. All government-owned entities providing essential goods and services have to improve the quality of life, to the detriment of the private sector.

After 1986, the term "socialist-oriented" was using in reference to Doimoi in Vietnam. The Vietnamese communist party pursued a policy of allowing the private sector into its program. China calls this program socialism with Chinese characteristics. The system called the Chinese socialist market economy. It said that Marxism is not radicalism and it is an active practical movement. Its main objective was to effectively developing the productive forces to make everyone in society happy.

There were movements for political change in Nepal. The unitary system was abolishing by the movement to establish a model of socialist development while protecting the rights and interests of the people and the preamble of the Constitution of Nepal 2015 issued a general political commitment towards socialism based on democratic values and beliefs. Article (4) of the constitution defines Nepal as a socialist-oriented democratic republic. As a guiding principle of the state, Article 50, sub-article (3), included the issue of developing a socialist-oriented economy in the country by emphasizing participation of public, private and cooperatives in production and distribution. While ensuring democratic rights, the rights of all, including education, health, employment, labor, food and housing guaranteed. The constitution defines the role of various parties in the economic development and prosperity of the country and emphasizes social justice as an important aspect of socialism.

5. Study Method

This study has based on information, sources, and reference material obtained from the description. There is a low presence of primary data. The study data is publishing by various bodies of the Government of Nepal from 2013 to 2021 with industrial data to show the employment situation. The study explores the impact of various aspects of the socialist economy on the economic development of the country. The theoretical and policy arrangements for its mitigation use limited time. The problems and issues in this study are describing on a factual basis gradually. The available information has further clarified investment and employment situations from the past to the present. Since this study only addresses the possibilities and challenges of the industrial sector in building a socialist-oriented economy. Apart from this, policy provisions related to the customs of Nepal have not been fully explaining but general information has presented.

6. Discussion and Analysis

6.1 Development of Industrialization and Creation an Employment

The process of moving the society or state from an agricultural economy to an industrial economy through the process of mass production of goods is calling industrialization. It generated in a specific area where it based on economic growth by developing machinery, technology and work processes in order to produce more in less time. The industrial revolution was the first step towards industrialization, a process that began in the mid 18th and early 19th centuries. When the mechanization of the work process first took place, it added energy in the form of machinery, serial production and use. Industrialization is necessary to reduce production time and cost. Increasing the volume of production, making better use of human capital, expanding the market and increasing the sales percentage of the state requires some reforms in politics, law and adequate raw materials and cheap labor resources. The aim of the industry is to increase the maximum possible number of producers for production, which is gradually developing in the world market.

The rapid development of scientific disciplines and technologies in the industrialized society contributes to the growth of population income and population growth. The process of industrialization began in Western Europe in the 18th century, mainly in Great Britain, which increased agricultural efficiency. Led to population growth and shifting the unemployed to cities where labor resources needed in the production process. Technology has developed remarkably in the process of industrialization in the 19th century. After the invention of the combustion engine, electrical and electronic equipment became widely used. Manufacturers began to focus on more mechanized and knowledge-intensive production allowed them to produce standardized products in the shortest possible time with minimal use of human labor. As a result, the dimensions of industrialization became wider.

The negative balance of payments in Nepal means the country buys more goods from abroad than exports. That is, when imports outnumber exports, one has to borrow from other countries or financial institutions to cover the cost of exports. In this case, the country's economy is under pressure. Not only

will the consumer incur losses but also the country may have to sell its assets (natural resources, land or commodities) to pay off debts. When the balance of payments is positive, the capital paid for domestic production increases and it can even lend to other countries. Remittances appear to have been a major source of foreign exchange reserves in recent years, but have declined due to the global labor market and the economy that have been affected by the Covid-19 pandemic. In the first six months of the current fiscal year, remittances amounting to Rs. 468 billion were received. It was 5.5% less than the same period last year. Although tourism is another major source of foreign exchange, the contribution of the tourism sector to foreign exchange reserves in 2021 was limited to 7.26 billion, which is 90% less than the previous fiscal year (Kathmandu Post, 27th October 2021). If tourism, exports and foreign investment have increased, the state could have kept the balance of payments in remittances by reducing the inflow of remittances, but little attention has paid to these areas.

Table 1. Details of Approved Industry and Employment (Table No. 1) Investment in Crores

S.N	Fiscal Year	Number	Percent	Investment	Percent	Number of jobs	Percent
1	2013/14	370	11.9	28780.8	17.8	21448	13
2	2014/15	466	15	13875.1	8.6	22785	13.8
3	2015/16	409	13.2	12,100.7	7.5	18730	11.3
4	2016/17	510	16.4	16137.4	10	26530	16.1
5	2017/18	496	16	35058.9	21.7	27339	16.5
6	2018/19	439	14.1	28335.3	17.6	23043	13.9
7	2020/21	277	8.9	15272.5	9.5	17388	10.5
8	2021/22	136	4.4	11819.9	7.3	7954	4.8
9	Total	3103	100	161380.6	100	165217	100

Department of industry 2021.

The Table gives information about the approved industries of Nepal in the last eight years and the employment conditions created by them. Unlike in the early years, there has been no positive improvement in the industry lately. Looking at 2020/21 and 2021/22, the number of industries have come down from 8.9% to 4.4% with investment of 7.3% and employment of 4.8%. In fiscal year 2021/22, 11.9% of the industry invested 17.8% and provided 13% employment.

6.2 Contribution of Manufacturing Industry

Although, the industrial development process in Nepal has not been rapid but its importance and relevance is increasing today as it was past. Due to the inability to develop the industry in the same way for economic development in the country, it has not been able to contribute as much as it should in the national income. The contribution of manufacturing industry in the last eight years is presenting below.

Table 2. Manufacturing Industries in Nepal

S.N	Fiscal year	Contribution (%)
1	2013/14	6.20
2	2014/15	5.94
3	2015/16	5.45
4	2016/17	5.49
5	2017/18	5.63
6	2018/19	5.75
7	2019/20	5.03
8	2020/21	5.08

The contribution of manufacturing industry has decreased from 6.2% in 2013/14 to 5.63% in fiscal year 2017/18. Similarly, this trend has been steadily declining to 5.08% in fiscal year 2020/21. The condition of industry in the country is deteriorating day by day due to declining contribution of manufacturing industry.

Table 3. Annual Growth Rate of Manufacturing Industry

S.N	Fiscal year	Growth rate (%)	Remarks
1	2013/14	6.05	
2	2014/15	0.06	Earthquake
3	2015/16	-9.51	Earthquake
4	2016/17	16.83	
5	2017/18	9.21	
6	2018/19	6.52	
7	2019/20	8.57	Covid-19
8	2020/21	3.85	

Central Statistical Department 2021.

The contribution of manufacturing industry has decreased from 6.05% in fiscal year 2013/14 to 0.06% in 2014/15. Similarly, in 2015/16, this trend continued to decline and dropped to a negative face value of 9.51%. The growth rate of manufacturing industry, which increased by 9.21% in fiscal year 2017/18, has declined to 8.57% in fiscal year 2019/20 and 3.85% growth in fiscal year 2020/21. The fluctuations in the annual growth rate of the manufacturing industry do not seem to be satisfactory in Nepal's industry and business.

6.3 Contribution of Private Sector in Industrialization

Nepal is necessary to pay special attention to two aspects of industrial development. Firstly, establish operate large-scale industries under the activism and leadership of the private sector. The government will facilitate executives in policy, legal, institutional and procedural ways. Secondly, promote small home-based and micro-enterprises by investing in active initiatives of the government, expanding the target groups (poor, helpless, destitute, neglected, backward and marginalized, especially women, dalit, ethnicity and Madhesi community). Nepal's industrial sector can move forward on the basic grounds that it will be possible to reach the destination of egalitarian economic prosperity. Otherwise, Nepalese economic development will be unequal and discriminatory, unilaterally for rich and poor, urban and rural, big and small, rich and poor. The gap between educated and uneducated will continue to widen. Based on the classification, the industry presented as follows:

Table 4. Industries Based on Agriculture and Forest Products

S.N	Fiscal year	Number	Percent	Capital	Percent	Jobs	Percent
1	2013/14	46	20.2	1566.68	7.7	1627	18.1
2	2014/15	50	21.9	1513.9	7.4	1596	17.8
3	2015/16	28	12.3	987.9	4.8	1038	11.6
4	2016/17	25	11	3261.6	16	831	9.3
5	2017/18	22	9.6	2517.7	12.3	653	7.3
6	2018/19	27	11.8	4100.6	20.1	992	11
7	2019/20	9	3.9	1126.43	5.5	318	3.5
8	2020/21	21	9.2	5348.56	26.2	1923	21.4
9	Total	228	100	20423.4	100	8978	100

Department of Industry 2021

The above table shows that the industries are based on agriculture, forest products and the employment opportunities created by them. In fiscal year 2013/14, it was seen that 20.2% of industry had created 18.1% employment with an investment of 7.7%. By the end of the review period, the industry had shrunk to 11% and provided 9.6% employment. By comparing, 3.9% of the industry was 5.5% investment of only 3.5% employment in fiscal year 2019/20. Similarly, in the last year of the reviewer period, the industry rose 9.2% in fiscal year 2020/21, lost 26.2% and provided employment of 21.4%. The condition of industries based on agriculture and forest products does not seem to have moved forward at the same as federalism.

Table 5. Energy Based Industries in Different Fiscal Years

S.N	Fiscal year	Number	Percent	Capital	Percent	Jobs	Percent
1	2013/14	43	16.2	231231.05	21.3	4709	26.2
2	2014/15	29	10.9	83081.73	7.6	2392	13.3
3	2015/16	15	5.6	38344.89	3.5	678	3.8
4	2016/17	19	7.1	82203.05	7.6	1679	9.3
5	2017/18	39	14.7	232913.04	21.4	2571	14.3
6	2018/19	47	17.7	210004.87	19.3	2489	13.8
7	2019/20	44	16.5	100201.75	9.2	2060	11.5
8	2020/21	30	11.3	109974.44	10.1	1407	7.8
9	Total	266	100	1087954.8	100	17985	100

Department of Industry 2021

The energy-based industries and the employment opportunities they have created employment. It is seen that in fiscal year 2013/14 that has 16.2% of the industry to created 26.2% employment with an investment of 21.3%. Review period in 2015/16, energy-based industries were reduced to 5.6% and 3.8% employment was provided. In fiscal year 2020/21, there was 11.3% of the industry with an investment of 10.1% employed total of 7.8%. At the state of the energy-based industry, it does not appear that it has grown as fast as it should with the development of federalism.

Table 6. Mineral Based Industry, Investment Capital in Crorer

S.N	Year	Number	Percent	Capital	Percent	Jobs	Percent
1	2013/14	2	11.1	105	3.5	262	14.2
2	2014/15	7	38.9	251	8.4	680	37
3	2015/16	0	0	0	0	0	0
4	2016/17	3	16.7	81.7	2.7	130	7.1
5	2017/18	4	22.2	2422.2	80.8	590	32.1
6	2018/19	1	5.6	12.8	0.4	85	4.6
7	2019/20	0	0	0	0	0	0
8	2020/21	1	5.6	123.45	4.1	92	5
9	Total	18	100	2996	100	1839	100

Department of Industry 2021.

The investment in the mineral base industry and its employment opportunities has created in different fiscal years. At the statistics of above Table, it is seen that 11.1% industry has created 14.4% employment in the fiscal year 2013/14. Come from three years after that in 2015/16, the condition of the industry decreased to zero. In 2017/18, the growth of mineral base industries reached 22.2% while investment was 80.8% and it created 32.1% employment. Similarly, in fiscal year 2019/20, the condition of the industry had dropped to zero. In 2020/21, 5.6% of industries were established and 5% of the people were employee through investment of 4.1%. The condition of mineral base industries is very poor.

Table 7. Service Based Industries in Different Years

S.N	Year	Number	Percent	Capital	Percent	Jobs	Percent
1	2013/14	99	12.2	5061.96	7.8	3584	10.7
2	2014/15	137	16.8	8073.16	12.5	4992	14.8
3	2015/16	117	14.4	11220.07	17.3	4374	13
4	2016/17	165	20.3	15853.56	24.5	7012	20.8
5	2017/18	115	14.1	5154.5	18	4532	13.5
6	2018/19	102	12.5	5456.55	8.4	3629	10.8
7	2019/20	46	5.7	8301.5	12.8	3735	11.5

Department of Industry 2021.

Establishment of service-based industries makes it easier for the people in the country to get the goods they want. Access to services makes life easier for the common person, and as a result, there is diversity in production. One can look at the investment in the service-oriented industry and the employment situation it has created. In the first year, 12.2% industry created 10.7% employment. Come on. In 2018/19, when the condition of industry increased to 20.3%, 20.8% employment was providing. Review period In 2020/21, the industry was limited to 4.1% and by investing 8.7% in, the industry has provided employment to 5.3% people.

Table 8. Tourism Based on Business, Capital Investment in Crorer

S.N	Year	Number	Percent	Capital	Percent	Jobs	Percent
1	2013/14	84	9.3	5832.77	2.2	3252	9.5
2	2014/15	147	16.3	27215.37	10.3	6742	19.6
3	2015/16	112	12.4	11124.95	4.2	3785	11
4	2016/17	154	17	149999.72	57	5215	15.2
5	2017/18	159	17.6	23855.5	9.1	5373	15.6
6	2018/19	117	12.9	11040.44	4.2	3706	10.8

7	2019/20	91	10.1	20527.21	7.8	4436	12.9
8	2020/21	40	4.4	13485.49	5.1	1894	5.5
9	Total	904	100	263081.5	100	34403	100

Department of Industry 2021.

The establishment of industry based on tourism business contributes to the development of various destinations in the country. Access to the service facilitates the livelihood of the common person. Table 9 above depicts the investment in the tourism business based industry and the employment situation created by it. In the 2013/14 base year, 9.3% industry has created 9.5% employment with 2.2% investment. Come on. In 2017/18, the capacity of the industry increased 17% of industry to 57% of invested and 15.2% employment was provided. The end of the review period is approaching. By fiscal year 2020/21, the industry was limited to 4.4% and it employed 5.5% people with 5.1% investment.

Table 9. List of Registered Industries up to F Y 2020/21 and Capital Investment per Thousand

S.N	Industry	Numbers	Percent	Investment	Percent	Jobs	Percent
1	Agriculture and forest	291	5.4	9409.82	1.7	10524	3.8
2	Energy based	90	1.7	222832.30	39.1	11837	4.3
3	Information & technology	112	2.1	14595.84	2.6	5745	2.1
4	Infrastructure based	46	0.8	3842.34	0.7	3226	1.2
5	Construction based	1212	22.3	122548.10	21.5	103091	37.5
6	Minerals based	72	1.3	10336.92	1.8	8786	3.2
7	Service based	1722	31.7	96570.98	17	73162	26.6
8	Tourism, business based	1889	34.8	89,328.45	15.7	58649	21.3
9	Grand Total	5434	100	659464.75	100	275020	100

Department of Industry 2021.

The establishment of various business based industries and its development has shown its contribution. Come on. It depicts the investment made in various business base industries in 2020/21 and the employment situation created by it. During that period, 34.8% of the industries in the tourism business have provided employment with 21.3% employment with 15.7% investment. Construction-based industries accounted for 37.5%, service-based industries 26.6% and infrastructure-based industries the lowest at 1.2%. The highest investment was in energy 39.1% and the lowest in infrastructure 0.7% respectively.

Table 10. Provincial Industries in Fiscal Year 2020/21, Capital Investment in Thousand

S.N	Province	Number	Percent	Investment	Percent	Jobs	Percent
1	Province one	808	9.6	524208.14	23	82192	13.1
2	Madhesh Pradesh	572	6.8	121399.47	5.3	58451	9.3
3	Bagmati region	5628	66.6	841618.03	36.9	376907	59.9
4	Gandaki Pradesh	705	8.3	449242.03	19.7	39955	6.4
5	Lumbini Province	579	6.8	194515.7	8.5	58216	9.3
6	Karnali Pradesh	40	0.5	113217.6	5	2575	0.4
7	Far western region	122	1.4	39333.41	1.7	10,500	1.7
8	Total	8454	100	2283533.88	100	628795	100

Department of Industry 2021.

In fiscal year 2020/21 has shown that the establishment of various business based industries with different province and the investment made to established industry for job creation to people. During this period, 66.6% of the industries have established in Bagmati Pradesh and 0.5% of the industries have registered in Karnali. Looking at the same times the investment in industry of highest investment is 36.9% in Bagmati and the lowest investment is 1.7% in Far Western Province. While Bagmati has 59.9% employment, Karnali has 0.4% employment. Overall, Bagmati is in the first place and Far West is in the last place. Province one was second and Madhesh Province was third overall evaluation during the observation period.

Table 11. Classified of Industries Up to 2020/21

S.N	Category	Number	Percent	Capital	Percent	Jobs	Percent
1	Big industry	1214	14.4	1965118.73	86.1	166302	26.4
2	Medium industry	1909	22.6	211673.24	9.3	171162	27.2
3	Small industry	5331	63.1	106741.91	4.7	291331	46.3
4	Total	8454	100	2283533.88	100	628795	100

Department of Industry 2021.

The last period, the smallest industry among the registered industries in Nepal has 63.1% to generate of 46.3% employment. Similarly, 22.6% of medium industries provided 27.2% employment and 14.4% of large-scale industries provided 26.4% employment. Capital investment is 86.1% in large-scale industries, 9.3% in medium scale industries and 4.7% in small-scale industries respectively. Comparing the number of industries established in Nepal, small industries accounted for 63.1%, medium industries for 22.6% and large industries for only 14.4%. Therefore, industrialization does not seem to have developed in Nepal.

6.4 Policy Provisions Related to Foreign Investment Promotion

According to the constitutional provision, Article 51 (d) of the State Policies of the Constitution of Nepal, policy on finance, industry and commerce should attract foreign investment by promoting import substitution and export in line with the national interest. The Comprehensive foreign investment and technology transfer act, 2018 has promulgated with the aim of creating a good environment by adopting an investment-friendly industrialization policy to attract foreign capital and technology transfer. This Act regulates foreign investment. The Foreign Investment and Technology Transfer Act is believed to make 1992 more attractive. The Technology Transfer Act 2015 has issued to manage foreign investment. This act has paved the way for the easy transfer of technology abroad. It believes that it will be easier to attract foreign investment in Nepal after the issuance of Foreign Investment Policy 2013. It is believed that these and similar foreign investments will come to Nepal in a simple way after the policy arrangement in this regard. It believed that after the issuance of Public Private Partnership Policy 2015 by Nepal, the amount of industry to establish through public and private investment and the amount of private investment in it will increase. Similarly, Industrial Policy 2067 has created an environment to encourage investment in industry and business. The Industrial Business Act 2019 and the Industrial Rules 2019 also set the thematic bases on how to increase investment in industry and business and create an industrial environment. The Foreign Exchange Regulation Act 2019 And the Rules 2019 have laid the groundwork for regulating foreign exchange in addition to foreign investment. After the promulgation of the Non-Resident Nepali Act 2007, it has shown that non-resident Nepalis are increasingly investing in Nepal, including increasing investment in industry, communication, transportation and service sectors. Therefore, after the implementation of these foreign investment laws and regulations, foreign investment has been encouraged in Nepal.

Table 12. Licensed Industries for Foreign Investment up to Fiscal Year 2020/21

S.N	Category	Number	Percent	Capital	Percent	Jobs	Percent
1	2010/11	210	6.3	11252.69	2.6	10053	3.3
2	2011/12	226	6.8	11909.82	2.8	7138	2.3
3	2012/13	317	9.5	51990.78	12.1	19819	6.5
4	2013/14	307	9.2	40737.27	9.5	20132	6.6
5	2014/15	370	11.1	81370.60	19	67455	22
6	2015/16	348	10.5	20543.89	4.8	15254	5
7	2016/17	400	12	17123.51	4	15207	5
8	2017/18	400	12	61349.11	14.3	55760	18.2
9	2018/19	344	10.3	31863.05	7.4	25,480	8.3
10	2019/20	223	6.7	50749.34	11.9	37806	12.3
11	2020/21	184	5.5	49,251.58	11.5	32073	10.5

12	Total	3329	100	428181.64	100	306177	100
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Department of Industry 2021.

The commodity status of the foreign-based industries with permission in Nepal for the last eleven years is shown in as table thirteen. In the base year, 6.3% of the industry lost 2.6% and provided 3.3% employment. It has mentioned that in 2014/15, it has 11.1% of industry will guarantee 19% investment and provide 22% employment. In the review period of 2020/21, it has 5.5% of the industries got permission for establishment and 11.5% of the investment will provide to 10.5% of employment. Analyzing the situation of industries established foreign investment in this way, it has been declining in the last period of the review that needs to be improved.

7. Possibility

For the development of industrial sector in Nepal, it is not appropriate to move forward by formulating thinking and strategy in the framework of other developed countries. In order to industrialize Nepal on the basis of its geographical, natural, social, economic and political uniqueness, agriculture, forest and vegetation, mining and minerals and other natural resources should be made into raw materials and capital and technology should be brought in from outside or by establishing industries. Importing raw materials from abroad will increase the cost of the product and will not be competitive. It is appropriate for Nepal to move towards industrialization by mobilizing the abundant natural resources available in Nepal. This makes it possible for local people to get employment, low cost and efficiency in production, quality including product specificity, sustainability of production system and process. As the policy to accelerate the pace of industrialization,

Various measures can be takes to increase energy efficiency in the industrial sector. Policies should enact in the law to encourage co-energy production in productive industries, to promote the use of renewable clean energy, and to produce energy from industrial waste. It believed that some achievements will achieved through the new proposed Industrial Business Act. It is reasonable to encourage foreign investment to flow more into the priority sector, but the negative list should not make too large. Investors should not give a negative message at the outset by setting investment limits and sectoral calculations. It is not right for Nepalis to be very intolerant towards investing abroad and it should be done according to the law according to the purpose, area, priority, limit of investment, level, It would be in line with the norms of liberal economic policy to regulate and leave open. While managing industrial property under intellectual property, provision should make in law for protection, promotion and protection of trademarks, patents and designs. Similarly, setting up up-to-date legal, institutional and procedural arrangements for quality assessment, testing, certification and authentication is another important priority of the government. It plays a very valuable role for the smooth international entry of manufactured goods and creates an industrial environment in the country. Institutional and procedural arrangements are also among the priorities of another important

government. It plays a very valuable role for the smooth international entry of manufactured goods and creates an industrial environment in the country. Institutional and procedural arrangements are also among the priorities of another important government. It plays a very valuable role for the smooth international entry of manufactured goods and creates an industrial environment in the country.

To reduce foreign exchange reserves and balance of payments deficits, the government often looks to foreign workers and borrows at concessional rates or relies on supportive donor agencies.. As foreign exchange declines, imports begin to tighten seeks to increase internal productivity. Due to the inflow of internal capital and the government's decision to impose higher tariffs on raw materials than on ready-made goods coming to Nepal from India, Nepal's industries are hitting harder. Recently, a policy has been formulated to have 100% cash margin when opening LC (Letter of Trade) for import of sugar, cigarettes, liquor, chocolate, cosmetics and other commodities.. Earlier, when ordering goods worth over Rs 10 million, the importer used to work with only Rs 1 lakh in cash and the rest could be borrowed from banks.. An example of this is the rule that Nepali citizens traveling abroad cannot carry more than \$500 with them, but earlier the limit was set at \$1,000. Moreover, Nepali tourists and workers going to Gulf, Malaysia and other countries are not allowing to taking more than 250 dollars with them. This will increase the foreign exchange reserves in Nepal and create an environment where the money can be invested in the industrial sector.

8. Challenges

Nepal is on the path of a socialist economy. It seems necessary to accelerate the pace of industrial development. Unless an industrial environment is created in the country. Self-employment opportunities will not be created and the available resources will not be fully utilized. In order to take the country towards modernity, it is necessary to accelerate the pace of development of the industry. Unless an investment-friendly environment is created in the industry, the investor's attention cannot be directed towards industry development. There is a spontaneous environment for general investment in the development of the industry and it cannot grow in a negligible way. Therefore, it has become necessary to remove the challenges in industry development.

The industry hit by Corona after the earthquake, which weakened by 2015, has been unable to recover due to the global spread of the corona virus. Sometimes, due to earthquakes and due to the economic blockade of India, the Corona virus, the industries that are operating have to pay regular bank interest, to pay salaries to the employees, pay the rent of the buildings and pay taxes to the state. The state has not been able to provide any such facilities for the industrialists, as they need to be given more concessions.

The industrial act controversy about entrepreneurs' policy: the state brought the industrial Act in Nepal due to conflict of policy between industrialists and executives. Differences between the entrepreneurs could not be resolved. In such a situation, the private industries in Nepal now have to fight unannounced even with the state. The situation became more difficult for the goods produced by

the multinational companies to compete when they could not provide good facilities for the workers.

Open Border: With the open border between India and Nepal, it has alleged that businesses under the government are involved in smuggling goods from India to Nepal. Due to this problem, it has become difficult to compete with the goods entering Nepal without customs clearance and the industries have collapsed even more. Goods from India are more prepared and raw materials are scarce. Due to the open borders with the goods produced in such large investments, the small-scale industries of Nepal have to face more problems competing.

Electricity: Nepal does not fully operate industries due to electricity. Its tariff rate has not become industry friendly. The state has not been able to provide electricity despite assuring industrialists that it will provide electricity if required at a minimum demand fee. It remains that treatment of the industry by the state does seem to be conducive to development. Even if the industrialists plan to expand their capacity, the state should be able to provide electricity to industry if it can expand the capacity of machines in a timely manner.

Problems in management: The conditions that lay down at the time of applying to the management office are not fulfilled later. Due to weak policy of the state and not only the management, there is very little practice of taking responsibility.

Long-term sustainability of the workers: The workers have a big hand in making any industry run smoothly for a long time. Even if the workers want to work well, due to the relatively low amount of money available for them in Nepal. It is not possible for the skilled workers to last long. For the continuous supply of skilled workers, the state needs to address the issue through the budget.

Emphasis on import substitution: The state should identify imports and encourage domestic production for long-term solutions, despite tightening imports. In order to do so, it is necessary to bring concessional programs to reduce production costs, including taxes. In the case of importing raw materials from most industries, it would not be appropriate to impose higher customs duty on raw materials than on ready-made goods coming to Nepal from India. Higher customs duties on raw materials increase cost and weaken competitiveness. Apart from this, attention should be pay to the quality of Nepali products. Consumers with money buy foreign goods because such quality goods should produced in Nepal. Although the government has tried to reduce the consumption of smoking and alcoholic beverages by imposing higher taxes on the import of foreign wines has not decreased, it has not replaced by Nepali products. At present, customs duty of Rs 370 per liter has to pay on wine containing 12% alcohol. There are examples of foreign wines preferred by more consumers than Nepali ones.

New technology: Industrialists also need to introduce new technologies in a timely manner. However, the industries in Nepal are still operating in the traditional way. It is important to link the industry with current advanced technology.

Peacekeeping: At times, a peaceful environment needed in the industrial sector, but there is no fencing in those areas. Even if the state provides workers in the name of security forces, that worker seems to

be unused. The state has not spent even 10% of the tax paid in the industrial sector for development and security to pay on the industrial sector, which is 10 billion of taxes. It seems that we need to ensure a peaceful environment and a secure environment in the industrial sector.

9. Conclusion

Nepal has ensured a “socialism-oriented economy” in the constitution for six years. In the last year, the strong government with a single majority failed to bring a “socialist-oriented economy” outside of the pages of the constitution. Experts have been saying that the country has a constitution but the government has not found any strong basis to build a socialist-oriented economy. Economist Vishwambhar Pyakurel says that the leader’s speech was nothing more than a break from the table. Although the constitution guarantees food, shelter and cotton, the discriminatory policy of the government has reached a stage where the people are not getting the minimum required. Economist Govinda Nepal says that even though it has taken a long time to establish a republic, the basis for the socialism-oriented economy envisaged in the constitution has not laid down. Economist Keshav Acharya argues that three pillars of the economy provided in the constitution have not implemented effectively. He says the new rules for cooperatives are trying to weaken cooperatives. There is no government policy to increase employment and self-employment in the private sector. There are no means of tax exemption, no provision of grants and incentives. According to experts, the government has failed in its campaign to build a socialist economy to establish social justice. The government should take private investors into confidence and move towards setting up industries. This opens the door to ample possibilities for development in the country and contributes to economic empowerment of people through self-employment.

The state has to achieve sustainable economic development and equitable distribution of economic inequality and build a society free from exploitation. It said that the economic objective of the state will be to develop the economy. From this point of view, industrialization is indispensable for the economic development of the country through public and private investment. With the proper use of all kinds of raw materials, including agricultural products available in a particular place through industry, employment opportunities will be available in the country. It will become economically self-reliant and move towards economic empowerment. In particular, countries that have adopted a socialist system of government are giving equality of opportunity to include public or collective ownership of resources.

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